



California Wheat Commission

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REMARKS
BY
LARRY HUNN, PRESIDENT
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AND
MIKE SCRIVEN, CHAIRMAN
CALIFORNIA WHEAT COMMISSION
TO
CALIFORNIA FARM BILL LISTENING SESSION
SACRAMENTO, CA
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MR. SECRETARY, LADIES AND GENTLEMEN, thank you for the opportunity to contribute to the discussion on the 2007 Farm Bill.

My name is Larry Hunn and I am the President of the California Association of Wheat Growers. With me is Mike Scriven, Chairman of the California Wheat Commission. Our two groups – the growers' membership organization and the state marketing program – work in close cooperation to promote the interests of California's wheat growers. The Commission, funded by all growers, focuses on developing and maintaining domestic and international markets for California wheat and supporting research that improves California wheat quality and marketability. CAWG, a voluntary membership association, works with policy makers and speaks for growers on legislative and regulatory issues.

Within the past year, our joint efforts have yielded significant results:

- With the help of our Congressional delegation, USDA, CDFA, and national wheat organizations, we finally got Mexico's 10-year ban on California wheat lifted. The first major shipment of California wheat to Mexico took place on May 5th of this year.
- After stripe rust destroyed over a quarter of our crop in 2003, we made sure that emergency declarations were made and that our growers received disaster payments for significant losses.
- Again, with the help of the Congressional delegation, CDFA and national wheat groups, we passed federal legislation to resolve an important assessment issue that had had a significant negative impact on Commission revenues.
- Recognizing the value of opening new markets, we support funding for the Market Access Program and Foreign Market Development program. These programs bring foreign buyers to look at California wheat production and send our wheat teams overseas. We also actively support trade agreements in regions where we see particular opportunity for market expansion, most recently in Central America and Peru.

Since last year, when discussions began on the shape of the 2007 Farm Bill, we have participated in many meetings and listening sessions such as this one today to articulate our priorities. We commend Secretary Kawamura and his Cabinet colleagues for their efforts to coordinate a California approach to the next farm bill.

To summarize our views, we join the National Association of Wheat Growers in believing that the next farm bill should build on the strengths of the 2002 Farm Bill. We are working toward a bill that serves the broad goals of promoting a healthy and sustainable agricultural sector, providing nutritious food for our citizens, and protecting our environment for current and future generations. We join many other farming groups in supporting funding for and better access to:

- Research programs
- Market access and food aid
- Sanitary and Phytosanitary protection
- Environmental protection

I would like Mike Scriven to give some examples to illustrate why these areas are of particular interest to our wheat growers.

MR. SECRETARY, LADIES AND GENTLEMEN, I also thank you for the opportunity to speak on the importance of developing a quality and targeted US agriculture program as it applies to California wheat growers.

As Larry Hunn stated, my name is Mike Scriven. I am the Chairman of the California Wheat Commission. I farm corn, sugar beets and wheat in San Joaquin County.

This year the California wheat crop was planted on nearly 500,000 acres throughout the state: from Imperial County next to the border with Mexican to Siskiyou and Modoc Counties next to the Oregon border. We produce five classes of wheat that are used to make such products as bread, tortillas, pasta and cookies.

Over the past few years, the ability to open and maintain markets along with helping to provide growers new varieties to address disease pressures and end-use market demands has faced many challenges. Increased costs, disease issues and market access restrictions are taking a toll on the industry. Due to these difficulties, California wheat acreage is decreasing at a time when the demand for wheat products in the US and abroad is increasing.

I am glad to give specific examples of the importance of sound SPS, Research and Food Aid programs as they apply to the California Wheat industry

1. SPS restrictions are a constant challenge to the wheat industry. The first commercial sale of California wheat, since Mexico placed a ban on California wheat imports in 1996, was loaded the week of May 5, 2006. The second set of railcars is being loaded as we speak. Mexico restricted California wheat imports after detection of a fungus, Karnal bunt, was found in a small area of Southern California. Unfortunately, the restriction was placed on the entire State.

During the ten year ban, Mexico has become a major market for US wheat exports. The United States has an 83% market share of total wheat sales into Mexico. In 1995 Mexico purchased 702,000 metric tons of US wheat. In 2005, Mexico imported 2,825,000 metric tons of wheat.

Over the past three years, Mexico is consistently in the top three destinations for US wheat. To open this market the Commission and Grower Association depended on CDFA, USDA's Animal Plant Health and Inspection Service, the California Congressional Delegation, and national wheat organizations. We had similar success in the early 1990's that lifted a 14 year old ban by China, utilizing the resources at both agencies.

2. With respect to research, the California wheat industry is currently in a crisis situation regarding the mutation of stripe rust races throughout the state. Our wheat varieties are only lasting 2-4 years after they are released for commercial production. Varietal options for growers are at a minimum. We are working with private and public breeding programs, farm advisors, grain handlers, and our customers to help solve this problem. [mention actual funding by growers through commission?]

On February 16, 2006, a national consortium of wheat breeders and scientists, led by Jorge Dubcovsky at the University of California, Davis, was awarded a \$5 million grant by the U.S. Department of Agriculture to implement modern technologies that will equip breeders to produce higher quality, disease-resistant wheat.

The technology, known as marker-assisted selection, allows the researchers to use the genetic information found in the plant's DNA to select those plants that carry desirable traits, such as disease resistance and improved quality. The program includes breeders and researchers at universities in 17 states and at four U.S. Department of Agriculture laboratories. This project could be at the core of the research needed to address stripe rust and other wheat diseases in California.

3. Food Aid: The United States provides US agriculture commodities to millions of people in needy countries through direct donations and concessional sales. This has been an important distribution channel for wheat in the upper San Joaquin Valley and Sacramento Valley, offering markets for various qualities of wheat. Ten years ago, nearly 300,000 tons of California wheat was shipped from the Port of Sacramento and the export grain facilities in Stockton. Last year only 36,000 tons were shipped from Stockton, none from Sacramento. There are no sales on the books planned for this year. The changes in shipments are due to many factors, including funding cuts and programs changes. The California Wheat Commission is active nationally and internationally on this issue.

At this point, I will turn the floor back over to Larry for some additional comments.

On environmental programs like the Conservation Security Program and Environmental Quality Incentives Program, it is very important to set up the funding as an entitlement so that it doesn't fluctuate from year to year. Farmers who enter these programs must know and be able to rely on the funding level over the specified life of the project. We would also encourage looking at ways to make the programs more efficient by allowing growers to participate in a single sign-up process and then determine which of the programs are most appropriate.

On the subject of commodity support programs, I would like to paraphrase recent testimony by the National Association of Wheat Growers:

Effective farm legislation is essential, not only for wheat growers, but also for rural economies and American consumers. Farm programs were designed to cushion the boom and bust cycles that are inherent to agricultural production and to ensure a consistently safe, affordable and abundant food supply for the American people. . . .But, while wheat growers generally support current policy, much of the “safety net” provided by the 2002 bill has not been effective for wheat farmers.

Since 2002, wheat growers have received little or no benefit from two key components of the current bill, the counter cyclical program and loan deficiency payment program, for two main reasons. First, severe weather conditions for several consecutive years in many wheat states have led to significantly lower yields or total failure. The loan program and the LDP are useless when you have no crop. Secondly, the target price on the counter cyclical program for wheat was set considerably lower than market conditions indicated, and severe weather conditions in some areas have created a short crop, which has led to higher prices in other areas. As a result, there has been very little support in the form of counter cyclical payments. . . .

We are not, in any way, suggesting that other crops receive too much support – far from it, they face the same problems our growers face and rely heavily on this safety net. We are simply stating that wheat producers need a viable safety net also. There is no doubt that America’s farmers would rather depend on the markets than the government for their livelihoods, but the current economic and trade environments do not offer a level playing field in the global marketplace. Many of our trading partners support their farmers at a much higher rate than in the U.S. At the same time, we face continually increasing production and transportation costs. Fuel and fertilizer prices are up an estimated 24 to 27 percent for wheat growers just from last year, as estimated in a recent FAPRI report, and the current disaster situation, including droughts, floods and fires, has been especially troubling for our members.

These issues, along with a potential change in the World Trade Organization rules, have led us to begin looking at other options for the 2007 bill. While we are not currently committed to any one proposal, we are analyzing the effects of making minor changes to program components.

For instance, we are examining the impact of increasing the direct payment. This component provides the most reliable cash flow of all program components and, as such, greatly aids in securing operating credit. We are also studying an increase in the target price to be more aligned with today’s market conditions while leaving the current structure of the loan program as is. Another concept involves altering the counter cyclical program to be based on revenue rather than price alone. [The] full NAWG board will be looking closely at the effects of these options and others in the near future and will soon be recommending specific proposals.

The California Association of Wheat Growers and the California Wheat Commission are taking an inclusive approach to this discussion. Since many (if not all) of our growers are diversified farmers growing both commodity and specialty crops, we recognize the need to improve access for all farmers to federal farm programs that support research and improve conservation and market access. CAWG is working with both rural and urban members of the California

Congressional Delegation to encourage the formation of a broad coalition to support the 2007 bill. We agree with Governor Schwarzenegger that, by working with all members of our delegation, we can accomplish great things for the State of California.

Mr. Secretary, Members of the Cabinet, Ladies and Gentlemen, thank you for this opportunity to share our views. We stand ready to work with you on this issue.